

**RESPONSIVE TESTIMONY OF  
DEAN KOUJAK  
ON BEHALF OF  
DOMINION ENERGY SOUTH CAROLINA, INC.  
DOCKET NO. 2019-365-E**

1   **Q.   PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**  
2       **OCCUPATION.**

3   A.           My name is D. Dean Koujak. My business address is 685 Third Avenue, 14<sup>th</sup>  
4               Floor, New York, NY 10017. I am employed by Guidehouse, Inc. as a Director.

5  
6   **Q.   ARE YOU THE SAME DEAN KOUJAK THAT OFFERED DIRECT**  
7       **TESTIMONY IN THIS DOCKET?**

8   A.           Yes, I am.

9  
10   **Q.   WHAT IS THE PURPOSE OF YOUR RESPONSIVE TESTIMONY?**

11   A.           The purpose of my responsive testimony is to highlight certain common  
12               ground between DESC and Witness Sercy, and respond to several points made by  
13               Witness Levitas that are not within the scope of this docket, as outlined by the Public  
14               Service Commission of South Carolina (the “Commission”).

15  
16                       **RESPONSE TO WITNESS SERCY**

1 **Q. DO YOU AGREE WITH WITNESS SERCY’S STATEMENT ON PAGE 7**  
2 **THAT A COMPETITIVE PROCUREMENT OF RENEWABLE ENERGY**  
3 **(“CPRE”) BENEFIT INCLUDES INCREASED FLEXIBILITY WHICH**  
4 **“ALLOWS A WIDE VARIETY OF DESIGN ELEMENTS TO BE**  
5 **COMBINED AND TAILORED TO MEET THE UNIQUE**  
6 **CIRCUMSTANCES AND GOALS OF THE JURISDICTION?”**

7 A. I agree an appropriately designed CPRE provides flexibility to address the  
8 unique circumstances of the jurisdiction as identified in the IRP. Witness Sercy  
9 adds to the record in this respect with his testimony. The IRP identifies the resource  
10 technical characteristics and attributes needed to most reliably and economically  
11 operate the grid. Depending on the unique circumstances and policies of the  
12 jurisdiction, factors such as the project location, effect on the transmission grid,  
13 ability to address seasonal needs, or provide ancillary services may be considered.  
14

15 **Q. DO YOU AGREE WITH WITNESS SERCY’S STATEMENT BEGINNING**  
16 **ON PAGE 15 THAT A “WELL-DEVELOPED IRP CAN INFORM DESIGN**  
17 **OF A COMPETITIVE PROCUREMENT PROGRAM FOR RENEWABLE**  
18 **ENERGY BY . . . IDENTIFYING PROCUREMENT VOLUMES AND**  
19 **TIMING, COST CAP LEVELS IF APPLICABLE, AND TECHNOLOGIES**  
20 **TO EMPHASIZE?”**

21 A. I agree that a well-developed IRP can, and should, inform the design of a  
22 CPRE. Again, Witness Sercy helps add to the record with this testimony. A well-

1 developed IRP should establish the characteristics and timeframe for resources that  
2 need to be procured. As discussed in my previous testimony, an IRP-driven  
3 procurement is the best approach for ensuring the most cost-effective outcome  
4 across all alternatives. Procurement ahead of the need-based date can result in  
5 excessive curtailment or increased integration and system dispatch costs. A CPRE  
6 that does not align with an IRP may result in additional cost to customers.

7  
8 **Q. DO YOU AGREE WITH WITNESS SERCY'S TESTIMONY ON PAGE 11**  
9 **REGARDING THE NEED TO, AND DIFFICULTY IN, ADDRESSING**  
10 **COMMON CHALLENGES RELATED TO CPRE, WHICH INCLUDE**  
11 **PROJECT DELIVERY OR "REALIZATION" RISK?"**

12 A. Yes. In my experience, project failure is common, especially when the  
13 evaluation criteria are heavily weighted on price factors alone or omit a thorough  
14 qualitative risk evaluation. For example, as an Independent Administrator, I  
15 oversaw a CPRE process in which over 50% of the projects selected in a given round  
16 did not proceed to contract and dropped out of the CPRE. Additionally, as an  
17 Independent Monitor, I oversaw a CPRE process in which over 20% of projects  
18 failed after executing a contract. Effective CPRE evaluation criteria should consider  
19 multiple risks including project delivery or "realization" risk. Establishing  
20 comprehensive evaluation criteria and guidelines that consider the likelihood of a  
21 project achieving commercial operation can help mitigate these risks. Factors may

1 include project development experience, creditworthiness, interconnection status,  
2 site control and permitting status.

3  
4 **Q. CAN YOU COMMENT ON WITNESS SERCY'S RECOMMENDATION ON**  
5 **PAGE 17 THAT A NEAR-TERM CPRE TO PROCURE THE GREATER OF**  
6 **AN IRP-DETERMINED AMOUNT OR 1% OF THE UTILITY'S SOUTH**  
7 **CAROLINA RETAIL SALES WOULD BE BENEFICIAL TO SOUTH**  
8 **CAROLINA RATEPAYERS?**

9 A. Before specifically addressing Witness Sercy's recommendation, I would  
10 point out that this recommendation appears to be outside of the scope of this generic  
11 docket as outlined by the Commission, which is to promote a better understanding  
12 of the CPRE process as well as the multitude of ways to design a CPRE.  
13 Notwithstanding, I believe a best practice is for a CPRE to align with identified IRP  
14 needs in comparison to an administratively defined target. Witness Sercy asserts  
15 that CPREs are worth conducting now in South Carolina regardless of need because  
16 of the learning involved. While there may be some institutional learning, a CPRE  
17 requires considerable effort, cost and time for the Utility, the Commission and  
18 market participants. Incurring these costs prematurely before there is an identified  
19 resource need can increase costs to customers.

20  
21 **RESPONSE TO WITNESS LEVITAS**

1 **Q. CAN YOU COMMENT ON WITNESS LEVITAS' RECOMMENDATION**  
2 **BEGINNING ON PAGE 30, LINE 20, THAT A UTILITY AND ITS**  
3 **AFFILIATES SHOULD ONLY BE ABLE TO PARTICIPATE IN CPRE IF**  
4 **COST RECOVERY IS ON A "MARKET BASIS?"**

5 A. The purpose of this docket is to identify various ways to design CPREs and  
6 one aspect to consider, depending on the specific purpose and need to be addressed,  
7 is how the utility and its affiliate should participate. My experience has been that  
8 a Utility affiliate can only compete under the same terms and conditions as other  
9 CPRE participants. Additionally, my experience also has been that regulated Utility  
10 participation under cost-of-service recovery can benefit customers. Utility self-  
11 build projects may be more cost-effective or better address specific system needs  
12 that they are in the best position to integrate. In addition, Utility asset purchase or  
13 Build-Own-Transfer can also benefit renewable developers. Again, these are  
14 options to preserve and no options should be precluded, rather, they should be  
15 maintained to allow for consideration in the context of a future specific CPRE. I  
16 would suggest the Commission not adopt a specific recommendation at this stage of  
17 a generic proceeding.

18  
19 **Q. DO YOU AGREE WITH WITNESS LEVITAS' RECOMMENDATION ON**  
20 **PAGE 31, LINES 2 AND 3, THAT THERE SHOULD BE "A CAP OF 30%**  
21 **ON AWARDS MADE TO UTILITY AND THEIR AFFILIATES?"**

1 A. As discussed above, the purpose of this docket is to identify whether there  
2 are various ways to design CPREs and one aspect to consider—depending on the  
3 specific purpose and need to be addressed—is whether caps should be placed on  
4 awards to a utility and its affiliates. My experience has been that placing caps on  
5 any participant limits competition and can result in sub-optimal outcomes for  
6 customers. Utility and affiliate participation enhances competition thereby  
7 benefitting customers. This may be especially applicable when there are few market  
8 participants. I do not recommend caps be placed on the utility or its affiliates, and  
9 I would not recommend consideration of the requested 30 percent, or any other  
10 value at this early stage—especially without knowing any other details about a  
11 proposed CPRE.

12  
13 **Q. CAN YOU COMMENT ON WITNESS LEVITAS' RECOMMENDATION**  
14 **BEGINNING ON PAGE 31, LINE 5, THAT A CPRE SHOULD BE**  
15 **ADMINISTERED BY AN INDEPENDENT THIRD PARTY AND FOLLOW**  
16 **THE PROCEDURES "BASED HEAVILY ON NORTH CAROLINA'S CPRE**  
17 **PROGRAM?"**

18 A. With respect to third-party involvement in the procurement process, my  
19 firsthand experience has been that the perceived advantages of independent third-  
20 party administration are outweighed by the disadvantages. While the process itself  
21 may appear to be more transparent if administered by a third party, third party  
22 administration of a procurement program may be impractical as I have outlined in

1 my previously filed testimony. Rather, I recommend the Commission adopt an  
2 Independent Monitor approach. The Independent Monitor approach allows for a  
3 more rigorous project proposal evaluation conducted by the Utility. This reduces  
4 realization risk while maintaining a high level of oversight that is focused on  
5 ensuring transparency and fairness. In my testimony, I described both structures to  
6 help the Commission have a broader understanding of the various options, and  
7 although I view the Independent Monitor as the superior approach, my  
8 understanding is that the purpose of this docket is not to adopt a detail such as this  
9 now.

10  
11 **Q. DO YOU AGREE WITH WITNESS LEVITAS' ASSERTION ON PAGE 29,**  
12 **LINE 6, THAT A CPRE SHOULD "BE CONDUCTED BASED ON NON-**  
13 **NEGOTIABLE FORM CONTRACT DOCUMENTS?"**

14 A. My experience has been that a Utility should work with stakeholders during  
15 the CPRE design phase to develop acceptable guidelines and contract provisions.  
16 This is the preferred way to help all of the utility's customers. While there could be  
17 specific circumstances justifying the use of a form power purchase agreement, in  
18 general, CPRE effectiveness is improved through flexibility—which includes the  
19 ability to negotiate contracts. In other jurisdictions where I have served as a  
20 procurement monitor, when the Utility attempted to make agreements "non-  
21 negotiable," the result was some qualified projects sought to withdraw from the  
22 process which decreased competitive outcomes. Further, this is a position that is

1 counter to the accepted industry standard because developers expect to be able to  
2 negotiate these agreements. As an alternative, the Commission may consider  
3 prospectively developing certain guidelines but I recommend against adopting a  
4 form CPRE contract that has established mechanisms and features without knowing  
5 the purpose and details of any actual CPRE.

6  
7 **Q. WITNESS LEVITAS ADVOCATES FOR THESE FORM CONTRACTS**  
8 **BECAUSE NON-PRICE TERMS CAN AFFECT PRICING. PLEASE**  
9 **ADDRESS HIS COMMENTS.**

10 A. There are situations where non-price terms affect the economics of the  
11 transaction. It is typical to develop a form contract to be utilized for a particular  
12 CPRE. It is not advisable to establish a form contract during a generic docket that  
13 would be utilized for all CPREs, regardless of the contours of the individual CPREs.  
14 Even then, bidders may be allowed to propose alternative terms to that CPRE-  
15 specific form contract. Where a form contract is developed for a particular CPRE,  
16 the generally accepted approach is to allow bidders the option to propose revisions  
17 to the form contract that would allow for better pricing. Typical procurement  
18 practice allows bidders to propose multiple options, including pricing that reflects  
19 standard terms and additional options reflecting revisions to any proposed contract  
20 that may be valuable to the utility and its customers. Whether exceptions should be  
21 taken is best left to the judgement of the individual bidder, which may have  
22 significantly different approaches to which terms are material versus those terms



1 that are not material to its pricing. Proposals are ultimately evaluated based on a  
2 combination of their qualitative score, which reflects the exceptions taken to the  
3 standard contract and their price. In my view, this is a level playing field in that all  
4 bidders have an opportunity to propose contract exceptions as they see fit.

5  
6 **Q. HOW DO YOU RESPOND TO WITNESS LEVITAS' CLAIM ON PAGE 31,**  
7 **LINE 19, THAT THE COMMISSION SHOULD "CONSIDER MOVING TO**  
8 **A COLORADO-STYLE 'ALL SOURCE' INTEGRATED RESOURCE**  
9 **PLANNING AND PROCUREMENT MODEL?"**

10 A. While Witness Kassis has noted that any decision about whether to employ  
11 an all-source planning and procurement model is outside the scope of this generic  
12 docket as outlined by the Commission, I believe the industry is moving toward such  
13 a process. An all-source planning and procurement process considers all resource  
14 types that can meet an identified need and is technology neutral. This approach can  
15 help ensure that the most cost-effective resource plan to meet system needs is  
16 implemented. It is important to note, however, that the generation characteristics  
17 identified in the integrated resource plan be fully developed and presented as the  
18 procurement need. Generation resources that do not address all or even those that  
19 "mostly" address the list of characteristics run the risk of compromising the  
20 reliability of the grid which is an unacceptable outcome for the utility, customers,  
21 and regulated bodies, including FERC and this Commission.

1   **Q.   DOES   THIS   CONCLUDE   YOUR   PRE-FILED   RESPONSIVE**  
2           **TESTIMONY?**

3   **A.**           Yes, it does.